

VZCZCXRO4363  
PP RUEHPA  
DE RUEHUJA #0673/01 1101707  
ZNY CCCCC ZZH  
P 201707Z APR 09  
FM AMEMBASSY ABUJA  
TO RUEHC/SECSTATE WASHDC PRIORITY 5785  
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 1158  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHZK/ECOWAS COLLECTIVE  
RUEHGB/AMEMBASSY BAGHDAD 0207  
RUEHSA/AMEMBASSY PRETORIA 1818  
RUEHC/DEPT OF AGRICULTURE WASHDC  
RUEAWJA/DEPT OF JUSTICE WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 ABUJA 000673

SIPDIS

DEPARTMENT PASS TO USTR-AGAMA AND USAID/AFR FOR ATWOOD  
DEPARTMENT PASS TO PTO FOR HICKEY AND RODRIGUEZ  
TREASURY FOR PETERS, IERONIMO, HALL  
DOC FOR 3317/ITA/OA/KBURRESS AND  
3130/USFCS/OIO/ANESA/DHARRIS  
BAGHDAD FOR DUNDAS MCCULLOUGH  
DOJ FOR KOUAME

E.O. 12958: DECL: 04/20/2019  
TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EAID](#) [ETRD](#) [EAGR](#) [NI](#)  
SUBJECT: NIGERIA: MINISTER OF FINANCE ON EVE OF BANK/FUND  
MEETINGS

REF: A. ABUJA 644  
[B. ABUJA 263](#)  
[C. LAGOS 189](#)  
[D. LAGOS 188](#)  
[E. LAGOS 186](#)

Classified By: Ambassador Robin R. Sanders, for reasons 1.4 (b and d).

[1](#)1. (C) Summary: Ambassador conveyed invitations from Treasury Secretary Geithner and other senior Treasury and State Department officials during meeting with GON Finance Minister Mansur Muhtar on April 17. Muhtar told the Ambassador that he appreciated efforts by the U.S. and U.K. governments to reach out to African countries in response to the international economic crisis. He said that President Yar'Adua and other senior GON officials realized that Nigeria had not yet done what was needed to become one of the world's leading economies and therefore there was no expectation of attendance at the G-20. The Finance Minister is carefully monitoring budgetary income and expenditures along with the health of Nigerian commercial banks, a few of which, he admitted, could have problems. While the Ministry believes the Central Bank of Nigeria (CBN) is taking all the right steps on banking supervision, the Minister and his staff remain concerned about transparency in the banking system. Muhtar is interested in USG assistance to modernize and otherwise improve the effectiveness of the Customs Service. End Summary.

[1](#)2. (SBU) The Ambassador, accompanied by Econ Counselor, called on MinFin Muhtar on April 17. Muhtar was accompanied by Perm Sec Stephen Osagiede Oronsaye and a notetaker. Ref A reports on Ambassador's demarche on Kosovo's membership applications to the World Bank and the International Monetary Fund. This message reports Muhtar's comments on the international economic crisis and steps Nigeria is taking.

[1](#)3. (SBU) Ambassador conveyed request from Secretary Geithner to Muhtar to attend a small discussion on the margins of the Spring Bank/Fund Meetings, to include finance ministers and central bank governors from Nigeria, Kenya and South Africa in addition to the head of the African Development Bank (AfDB). Muhtar expressed his agreement to attend. Ambassador also passed invitations for bilateral meetings from the respective Treasury and State Acting Assistant

Secretaries for International Affairs and Economic, Energy and Business Affairs, along with an invitation to a reception on Capitol Hill hosted by the Business Council for International Understanding. The Minister said his staff would get back to the Embassy quickly regarding those additional invitations.

¶4. (C) Muhtar said he appreciated efforts by the U.S. and U.K. governments in reaching out to African countries to manage the international economic crisis and expressed his hope that Africa would continue to be included, in the course of the Spring Meetings and in other fora as well. Muhtar said press reports on Nigerian dissatisfaction with not having been included in the G-20 were taken out of context, and that President Yar'Adua and other senior officials understood Nigeria still had not taken the steps it needed to in order to become one of the top 20 world economies by the year 2020. Nigeria was not saying it deserved to be a G-20 member at present, he added. President Yar'Adua has emphasized that Nigeria still had not realized its potential, despite abundant human and natural resources.

¶5. (C) Muhtar praised efforts by the international community to involve African nations in conjunction with the G-20 and by including the African G-10 in conjunction with the African Development Bank (AfDB) deliberations about the crisis. He called the upcoming meeting with Secretary Geithner "an important first step." Muhtar expressed the hope that the international financial institutions would see their capital base increased, and especially the AfDB which in turn would help developing nations. He also called for stronger African

ABUJA 00000673 002 OF 003

representation and influence within the leadership of the IFIs.

¶6. (C) Responding to questions from the Ambassador, Muhtar and Perm Sec Oransaye detailed efforts by ministry and the CBN to manage the impact of the international economic crisis on Nigeria--although the Minister notably declined to give a GDP growth estimate for 2009 or say when the GON might bring current inflation of around 14 percent down to its target of single-digit inflation. Muhtar stressed the importance of robust international credit markets going forward. The CBN was strengthening in-country supervision of the banking/financial sector, in coordination with the Ministry and other regulatory agencies such as the Federal Deposit Insurance Corporation and the Securities and Exchange Commission. The CBN had resident examiners in place in many banks, and the banks themselves have engaged world-class audit firms. There may be 2-3 banks with toxic assets problems, but Muhtar contended the overall system was strong enough to absorb those problems and survive the economic crisis.

¶7. (C) Minister and Perm Sec told the Ambassador that they had heard the same rumors she had of a "shadow banking environment" and banks evading recent interest rate caps (Ref D). They remained concerned about transparency in the sector and the CBN had issued a strict regulatory circular implying that banks could even lose their licenses if they did not follow regulatory dictates. They were not sure whether the perception that banks' reputations could suffer from accessing the expanded credit window (to assist with liquidity) was actually affecting banks' borrowing behavior, given that few of Nigeria's banks to date had accessed the window. The authorities were also looking closely at asset management.

¶8. (C) In other areas, the Minister was concerned with managing Nigeria's foreign exchange balance without having to draw down reserves any more than necessary. He was looking to increase non-oil generated government revenues and income for customs' operations. State governors were anxious to engage the international development banks on local infrastructure projects as oil revenues dropped. The

ministry would decide quarter by quarter whether and how much it needed to access international markets to finance the current-year budget deficit. One and a half billion dollars would be utilized from the excess crude account, in addition to five billion dollars agreed to earlier for power sector projects. (Note: "The Punch" reported April 20 that Minister of State for Finance Remi Babalola had announced a disbursement of \$586 million from the ECA on April 17. MinFin Perm Sec told Econ Couns on April 20 that the Ministry is dispursing from the ECA on a monthly basis and that figure represents the latest disbursement. Monthly disbursements will vary based on the oil price and other factors. End note). A GON committee was looking at areas to pare back expenditures. A possible \$500 million concessionary facility from the World Bank was under discussion. The GON was focused on basic infrastructure and diversification, the Minister said. Those efforts might involve going back to the National Assembly for a supplemental appropriation, Muhtar added. He praised the Ambassador's and the USG's efforts to support the agriculture sector, agribusiness and duty-free AGOA exports to the U.S., along with making the U.S. Export-Import Bank (EXIM) and U.S. Department of Agriculture credit facilities available.

¶9. (SBU) Muhtar told the Ambassador that he hoped the U.S. could assist Nigeria in reforming the Customs Service, for both modernization and effectiveness, including the enhancement of revenues. Ambassador noted recent efforts to engage with Customs. The Minister instructed his Perm Sec to arrange a three way meeting for Embassy staff, the Finance Ministry and Customs to discuss possibilities for engagement and support. Ambassador said Econ Counselor and Law Enforcement Officer would get together with the Perm Sec

ABUJA 00000673 003 OF 003

shortly to discuss arrangements.

¶10. (C) Comment: Obviously, MinFin Muhtar is concerned about the hit that the budget and liquidity in the banking system have taken from the drop in oil prices. The ministry and CBN are focused on their challenges, but, as always, transparency remains a problem, for oversight of the commercial banks, accounting for and pulling in all sources of government revenues, and ensuring that expenditures are put to their designated uses. Though an IMF team and the World Bank Country Director had both predicted recently that the GON could draw down the excess crude account to finance its budget deficit, it appears that Muhtar remains determined to tap the ECA sparingly--though actual allocations are likely to be driven by the price of oil and other objective factors, including MinFin's ability to find new revenues from Customs and other sources.  
SANDERS